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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION
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In the Matter of)
)
Access Charge Reform) CC Docket No. 96-262

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REPLY COMMENTS OF LCI INTERNATIONAL TELECOM CORP.

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LCI International Telecom Corp. ("LCI") submits the following reply to the comments filed in the above matter.

I. THE COMMISSION MUST FOLLOW A "PRESCRIPTIVE" APPROACH TO ACCESS REFORM UNTIL THE ILECs ARE FACED WITH ACTUAL AND MEANINGFUL COMPETITION.

In their comments, most of the incumbent LECs ("ILECs") have argued that the Commission should adopt some form of a market-based approach to access charge reform, if not immediately, then in the very near future. *See, e.g.,* Joint Comments of Bell Atlantic and NYNEX at pp. 8-10; Comments of Pacific Telesis at pp. 17-20. The ILECs all claim that such reform is now justified because § 251 obligates them to unbundle and distribute their network elements to those who wish to compete against them for local exchange access services. The ILECs' acknowledgment of their § 251 <u>obligations</u> does not mean, however, that <u>competition</u> has suddenly emerged in their regions like Venus full-blown from the sea. The fact remains that the ILECs are not yet ready, willing or able to offer and provision unbundled combined network elements at cost based prices on a seamless, instantaneous basis in any meaningful quantities, let alone in the thousands of orders daily that will be required to have a truly competitive market for local access. LCI strongly agrees with the comments of Comptel that until it is as easy to order and provision local exchange service using unbundled combined elements or unbundled elements combined in part with some of the competitors facilities, as it is to change long distance carriers, there does not exist the type of competitive market that would support marked-based access reform. *See* Comments of Comptel at pp. 5-6.

The ILECs' unanimous rejection of any "prescriptive" approval to access reform is based on of their assertion that the local market is now open for competition. For example, NYNEX/Bell Atlantic state:

> Once a state-approved interconnection agreement is in place, the LEC will not be able to exercise market power in the pricing of access services, because alternative providers will be able to purchase unbundled elements from the LEC at cost and undercut unreasonable rates for access services, local telephone lines, or any other services that the LEC offers through its local network.

(Joint Comments of Bell Atlantic and NYNEX at p. 45.) NYNEX/Bell Atlantic and the other ILECs assume that merely because an agreement has been signed, the purchase of unbundled combined network elements can occur, and that the IXCs are operating as vigorous competitors to the ILECs in their local markets. Pacific Telesis Group goes so far as to state in its comments (at p. 9) that the ILECs must be permitted to enter their in-region interLATA markets *before* access reform takes place. This puts the cart before the horse.

Despite the ILECs' arguments, there is no competitive market for local exchange services (and, therefore, no market forces to drive down costs) because the ILECs

- continue to hold monopoly or near monopoly power in their local exchange services markets;[1]
- have not yet seen any real competition from IXCs moving into the local exchange market using unbundled combined network elements as the basis

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[1] We know, for example, from reviewing the Ameritech Michigan § 271 filing (now withdrawn by Ameritech) to provide in-region interLATA service in Michigan, that Ameritech appears to control 99% of the local exchange market in Michigan. Ameritech Michigan stated in a filing with the Michigan Public Service Commission that the three facilities-based local exchange providers with whom it signed interconnection agreements have only 20,000 access lines. Ameritech Michigan has about 4.9 million lines according to the Telephone Association of Michigan. The three CLECs do not give Ameritech bona fide competition that will drive down access charges to cost. (Ameritech Michigan's Response to Attachment A, Michigan Public Service Commission Case No. U-11104, November 12, 1996.)

for establishing local competition and avoiding originating access charges for their long distance calls; and

- maintain barriers to entry through non-existent or highly unreliable OSS interfaces,[2] in flat violation of the Commission's clear requirement in its August, 1996 Local Competition Order.

In an effort to ensure the elimination of these barriers, five major IXCs -- AT&T, MCI, Sprint, WorldCom and LCI -- recently formed the Local Competition Users Group ("Group"). On February 12, 1997, this group issued operational standards that must be met by the ILECs in order to ensure that resold and unbundled combined network elements (the "Network Platform") can be ordered and provisioned in sufficient quantities to enable CLECs to provide meaningful competition in the local exchange and local access markets. Attached as Exhibit 1 hereto is a true and correct copy of the standards that have been developed by the Group and which LCI believes must be fully implemented and proven in beta tests to work at 99+% reliability for tens of thousands of daily orders before any move to market-based access reform can be considered by the Commission.

Until there is true and vigorous competition in the local exchange markets, allowing "market forces" to determine access charges simply allows the ILECs to use their monopoly might in the local markets to continue those charges at artificially high levels, and, worse, forces the IXCs' to subsidize the ILECs'

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[2] In Illinois and California, for example, LCI must still use a fax machine to pre-order, order and provision resale services. Bell Atlantic still has established no interfaces, and no competition to offering local service today in competition with Bell Atlantic through resale on unbundled combined network elements..

invasion of the long distance market. A prescriptive approach by the Commission which forces the ILECs to adopt TELRIC pricing, while maintaining some oversight in the pricing of access costs until true competition can develop, is necessary to prevent the ILECs from using their monopoly positions in local markets to destroy competition in the long distance market.

II. THE COMMISSION SHOULD NOT ALLOW ANY ADDITIONAL VOLUME OR TERM DISCOUNTS UNTIL THE ACCESS MARKET HAS BECOME TRULY COMPETITIVE.

A number of the incumbent LECs argued in their comments that the Commission should immediately withdraw the restrictions on volume and term discounts. *See, e.g.*, Comments of GTE Service Corporation at p. 48; Comments of Bell South Corporation at p. 33.

LCI strongly disagrees with this position. LCI agrees with the Commission that such volume and term discounts could be used to inhibit competition by "locking in" customers with long term commitments at substantial discounts, which would discourage entry by potentially more efficient competitors. *See In the Matter of Access Charge Reform*, CC Docket No. 96-262, Notice of Proposed Rule Making, Third Report and Order, and Notice of Inquiry, ¶ 191 (Dec. 24, 1996) ("NPRM"). Moreover, giving the ILECs complete freedom at this time to offer volume and term discounts could thwart the ability of smaller IXCs, like LCI, to compete effectively in the long distance market and to enter into the local exchange market. Finally, LCI agrees with the comments of MCI (and others), which note that the ILECs have not submitted any evidence of a cost basis for volume discounts for access services. *See* Comments of MCI Communications Corp. at p. 58.

LCI agrees with the Commission that the minimum prerequisite to any expansion of volume and term discounts is a showing by the ILECs that:

> competitors are able **actually** to order and receive elements and services **in a commercially reasonable manner and in necessary quantities**. Provisioning limits and provisioning delays must not potentially limit the flow of customers from the incumbent LECs to its rivals. Incumbent LECs must create well-functioning and adequately sized provisioning systems both from resale and from unbundled elements.

NPRM at ¶ 175 (emphasis supplied). That is not remotely close to the state of the local telecommunications market today; only with this Commission's vigorous enforcement of its August, 1996 Order, will the ILECs be incented to meet this standard anytime soon. Clearly, the ILECs do not today have the procedures, electronic systems and interfaces in place to enable them to distribute unbundled combined network elements (on even resale services, for that matter) in sufficient quantities to enable CLECs to provide any meaningful competition via that route, and truly avoid access charges. The ILECS should not, therefore, be permitted at this time to offer additional volume or term discounts, the effect of which will only be to further hinder and delay competition in the local exchange and local access services market.

III. THE TRANSPORT INTERCONNECTION CHARGE SHOULD BE ELIMINATED, NOT "REFORMED" OR "REALLOCATED" AS ARGUED BY THE ILECs

Virtually all (if not all) of the ILECs concede in their comments that the current structure of the Transport Interconnection Charge ("TIC") does not accurately reflect the purported costs assigned to it by the ILECs, and should, therefore, be immediately reformed. *See, e.g.*, Comments of GTE Service Corp. at p. 35 ("A second major source of inefficiency and distorted pricing in the current access charge rule is the TIC, which is a hodgepodge of misassignments of costs and implicit subsidies to other access elements and interstate services."); Joint Comments of Bell Atlantic and NYNEX at pp. 37-38.

The ILECs argue against eliminating TIC, however, claiming that the costs purportedly recovered through TIC should be reallocated for recovery through other changes. *See, e.g.*, Comments of Ameritech at pp. 20-25; Comments of GTE Service Corp. at pp. 36-39.

LCI strongly opposes any such "reformation" or "reallocation" of the TIC. The ILECs admit the TIC is, at least in part, a subsidy. *See* Comments of Ameritech at p. 22 (referring to the TIC as a "subsidy source"). The 1996 Act requires the Commission to remove subsidies from access charges, and requires the ILECs to price access at TELRIC. If the ILECs comply with the Act, "all facilities-related costs currently recovered via the TIC would be recovered from the access rate elements set at TELRIC." Comments of AT&T Corp. at pp. 58-59. Any remaining amounts reflect the implicit subsidies, and, therefore, should be eliminated.

IV. THE COMMISSION SHOULD REFORM RECOVERY OF CARRIER COMMON LINE CHARGES TO A FLAT RATE BASED ON PER, PRESUBSCRIBED LINES.

Most, if not all, of the commenters agree that the current structure for recovery of non-traffic sensitive ("NTS"), carrier common line costs ("CCLC") should be reformed. Some of the commenters argue that CCLCs should be eliminated, and that all NTS loop costs be recovered through increases in subscriber line charges, which would require the elimination of the price cap on those changes. *See, e.g.,* Comments of AT&T Corp. at pp. 51-52. LCI believes, and most of the commenters agree, that the most appropriate mechanism for recovery of these NTS costs is through a flat charge assessed on IXCs on a per presubscribed line basis at TELRIC costs. *See, e.g.*, Comments of GTE Corp. at p. 25; Comments of Bell South at p. 68.

V. TERMINATING ACCESS CHARGE REFORM.

Almost all commenters agree that there is no true "market" for terminating access because it is wholly dependent on the choice of the terminating carrier of the called party. In the absence of a true market which is sensitive to price increases and reductions, there is no opportunity for market-based reform of terminating access charges. ILECs, with their near monopoly in the local exchange market, reap the excessive benefits of terminating access charges, and will continue to do so as long as the local exchange markets remain subject to their monopolistic control.

There is simply no way to drive terminating access costs to market given that terminating access charges occur by sheer chance, depending on where an individual customer's call terminates. Terminating access charges should be based on forward-looking costs, based on a TSLRIC study as suggested in paragraph 274 of the NPRM. LCI does not agree with the Commission's hypothesis (*see* § 272 of the NPRM) that if the ILECs impose excessive terminating access charges (assuming a market-based approach to these charges), these excess charges alone will prove sufficient to attract competition into the local exchange market. Moreover, because the ILECs start with a huge and dominant market position, changes in the recipients of terminating access fees will come about only slowly, and as a by-product of the opening up of the local exchange markets caused by competition from the IXCs in the local markets as it develops. For the short to intermediate future, it seems unquestionable that ILECs, will continue to have the majority of terminating access due to the 99+% market share which they enjoy today.

Respectfully submitted,

DATED: February 14, 1997

LCI INTERNATIONAL TELECOM CORP.

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Foundation For Local Competition: Operations Support Systems Requirements For Network Platform And Total Services Resale

February 12, 1997

Prepared By: Local Competition Users Group (LCUG)
Membership: AT&T, MCI, Sprint, WorldCom and LCI

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Core Principles of Interconnection Agreements

Service Parity

- ILEC must provide interconnection services that enable the CLEC to provide services to its customers at least equal in quality and timeliness to that offered by ILECs to their customers

Notification of Change

- ILEC must provide sufficient advance notification of all changes in operating procedures, service offerings, etc., to afford the CLEC opportunity to respond

Performance Measurement

- Service levels and cycle times must be established that enable the CLEC to provide its customers with expected levels of service

Electronic Interfaces

- ILECs must provide CLECs with real-time electronic interfaces to ILEC systems that are seamless and transparent to users and facilitate ordering, provisioning, and maintenance activities

Systems Integrity

- Interfaces between ILEC and CLEC systems must be developed according to industry standards, tested and accepted by CLECs. Adequate controls must be established to ensure data transfer integrity

Standards Adherence

- ILECs must adhere to all current and future industry standards [e.g., (OBF), (ECIC)], and comply with all reasonable interim solutions as appropriate.

1 General Business Requirements

Definition

This section describes the basis of the general business relationship between the ILEC and CLEC for the delivery of local access interconnection services (e.g., developing working procedures, training, etc.).

General Business Requirements

Terms of Business Relationship

- CLEC will be the primary contact and account control for all interactions with its subscribers
- During contact with subscribers the ILEC will ensure that its personnel:
  - provide appropriate CLEC referrals for new and existing customers
  - do not disparage or discriminate against the CLEC, its products, or services
  - do not cross-sell ILEC products and services during a subscriber inquiry about CLEC services
  - do not use the CLEC's subscriber information, orders, or processes/services to aid in the ILEC's marketing or sales efforts
- ILEC will notify the CLEC of any proposed changes in the terms and conditions under which it offers service
- ILEC will train CLEC employees on ILEC system interfaces and processes, and front end gateway interfaces
- ILEC will provide detailed product information

General Business Requirements

ILEC/CLEC Development Responsibilities

ILEC and CLEC agree to:

- Establish escalation and expedite procedures that may be invoked at any point in the ordering, provisioning, maintenance and customer usage data transfer processes
- Establish contingency and disaster recovery plans for situations when normal processes are inoperable
- Develop and implement work center interface procedures for each function/business process
- Develop and deliver CLEC procedural training to all ILEC personnel who may communicate with CLEC subscribers

2 Pre-Ordering

Definition

This section describes the requirements that must be fulfilled by the ILEC before the CLEC is capable of initiating service.

Pre-Ordering

Network Element Foundation

- The ILEC must provide all capabilities of the unbundled network element ordered by the CLEC, including:
  - basic switching functions
  - telephone numbers
  - white page listings
  - dial tone
- The ILEC must provide on-line and timely electronic update of all listings of all custom features currently available from each end office, including:
  - custom calling
  - Custom Local Area Signaling Service (CLASS) features
  - CENTREX features
  - customized routing functions

Pre-Ordering

Service Delivery Prerequisites

- The ILEC must provide the CLEC with baseline and regularly refreshed information necessary to process orders, including:
  - Street Address Guide (SAG) data
  - Due date intervals for use in establishing service installation dates
  - Service and feature availability information
  - Engineering design and layout information
  - USOC codes and English translation.
  - Metropolitan Street Address Guide (MSAG) data
  - Appointment scheduling for service installation
- Until number administration functions are assumed by a neutral third party, the ILEC will:
  - Assign NXXs on a non-discriminatory basis
  - Reserve a block of telephone numbers per NPA-NXX where the CLEC has not obtained its own NXX
  - Provide testing and loading of the CLEC's NXXs on the same basis as performed for the ILEC's NXXs,
  - Provide CLEC with the ability to obtain telephone numbers, vanity numbers, etc., while a subscriber is on the line

Pre-Ordering

Customer Information Requirements

- Subscriber payment history will be provided by the ILEC and CLEC to an independent third-party credit reporting agency
  - information may only be made available to the carrier to which the subscriber has applied
  - ILEC cannot refuse service to the CLEC on the basis of a subscriber's past payment history
- ILEC must provide the CLEC with real-time access to current customer profile, including:
  - subscriber name
  - billing and service addresses
  - billed telephone numbers
  - identification of features and services on subscriber accounts (to include USOC codes and English translation)
- ILEC must meet CLEC requirements and provide real time application to application electronic access to:
  - telephone number reservation
  - due date reservation
  - feature function availability
  - facility availability
  - street address validation
  - customer service records (CSR)

Pre-Ordering

Advance Notification Requirements

- The ILEC must inform the CLEC of all changes to business processes and service offerings, including, but not limited to the following:
  - Services available from each switch
  - CLASS features and all other vertical features, including Centrex
  - List of available intraLATA and interLATA carriers
  - Service coverage area of each switch
  - New ILEC service features, including trial offers and promotions
  - Planning/implementation of NPA splits
  - Method/plan for making ILNP and true LNP available

Pre-Ordering

Performance Measurements

- ILEC must comply with performance standards and provide reporting for the following measurements:
    - Successful query - response interval to obtain the following:
        - Telephone number reservation
        - Due date reservation
        - Feature function availability
        - Facility availability
        - Street address validation
        - Customer service records (CSR)
        - Service availability information
        - Appointment scheduling
    - Query Failure rates
    - Speed of Answer by Support Center
    - Speed of Inquiry Closure
- ILEC must provide reports detailing prescribed performance results on at least a monthly basis with sufficient historical data to allow trending:
    - for the ILEC itself,
    - all CLECs on average, and
    - the individual CLEC

3 Ordering and Provisioning

Definition

This section describes the ordering and provisioning requirements to be followed by the ILEC.

Ordering and Provisioning

Service Parity

- ILEC must provide the same level of ordering and provisioning support to CLECs as it provides itself or its customers
- ILEC must provide a Single Point of Contact (SPOC) for ordering and provisioning resale service and unbundled elements, with capabilities including
  - a toll-free nationwide number
  - coordinated scheduling, status and dispatch capabilities
  - processing orders through an electronic interface 24 hours a day, 7 days a week
- ILEC must offer intraLATA toll for resale

Ordering and Provisioning

Service Parity (continued)

- ILEC shall not require a disconnect order to process a CLEC order or migrate a subscriber to CLEC service
  - ILEC shall provide unbranded intercept treatment and transfer of service announcements to CLEC subscribers for all disconnects, suspensions, or transfers
- ILEC must provide comprehensive support for CLEC ordering/provisioning activities, including but not limited to:
  - providing firm order confirmation (FOC)
  - rejected orders due to technical reasons, missing information, or jeopardy conditions
  - obtaining authorization for service order changes
  - processing service suspensions/restorations upon authorized request
  - providing daily disconnect notification as well as order completion notification
- ILEC shall provide CLECs the ability to order unbundled network elements with no disconnection or disruption of service. Subject to the CLECs' request, all or part of the unbundled network elements necessary to provide all or part of a service to a customer or group of customers must be provided

Ordering and Provisioning

Standards Compliance and Testing

- ILEC must comply with OBF and all other industry forums defined ordering and provisioning process guidelines and electronic implementation guidelines and standards
- ILEC shall perform comprehensive testing, including
  - pre-service testing prior to completion of the order
  - cooperative testing with CLEC
  - operational interface testing as requested

Ordering and Provisioning

Electronic Interfaces

- ILEC shall provide electronic interfaces to support all ordering and provisioning processes:
  - submitting orders and receiving confirmation of receipt
  - dispatching installation appointments
  - accessing subscriber information systems
  - providing service availability dates
  - receiving status information on service orders and installation
- Comply with the Ordering and Billing Forum (OBF) and all other industry forum defined interface guidelines for local service such as Local Service Request (LSR)
- Implement the OBF defined Local Service Ordering Guidelines (LSOG) as mechanized in EDI format by the EDI Service Order Subcommittee (SOSC) of the Telecommunications Industry Forum (TCIF)
- Provide gateway access for application-to-application real time interface capability